Document No. 3316
Adopted at Meeting of 5/ 20/76

RESOLUTION OF THE BOSTON REDEVELOPMENT AUTHORITY
RE: TENTATIVE DESIGNATION OF REDEVELOPER
SOUTH END URBAN RENEWAL AREA, PROJECT NO. MASS. R-56
PARCEL X-39A

WHEREAS, the Boston Redevelopment Authority, hereinafter referred to as the "Authority", has entered into a contract for loan and capital grant with the Federal Government under Title I of the Housing Act of 1949, as amended, which contract provides for financial assistance in the hereinafter identified project; and

WHEREAS, the Urban Renewal Plan for the South End Urban Renewal Area, Project No. Mass. R-56, hereinafter referred to as the "Project Area", has been duly reviewed and approved in full compliance with local, State and Federal law; and

WHEREAS, the Authority is cognizant of the conditions that are imposed in the undertaking and the carrying out of urban renewal projects with Federal financing assistance under said Title I, including those prohibiting discrimination because of race, color, sex, religion or national origin; and

WHEREAS, The Stride Rite Corporation has expressed an interest in and has submitted as satisfactory proposal for the development of Disposition Parcel X-39A in the South End Urban Renewal Area; and

WHEREAS, the Authority is cognizant of Chapter 30, Sections 61 and 62 of the Massachusetts General Laws, as amended, with respect to minimizing and preventing damage to the environment:

NOW, THEREFORE, BE IT RESOLVED BY THE BOSTON REDEVELOPMENT AUTHORITY:

1. That the Stride Rite Corporation be and hereby is tentatively designated as Redeveloper of Disposition Parcel X-39A in the South End Urban Renewal Area subject to:

(a) Concurrence in the proposed disposal transaction by the Department of Housing and Urban Development:

(b) Publication of all public disclosure and issuance of all approvals required by the Massachusetts General Laws and Title I of the Housing Act of 1949, as amended:

(c) Submission within ninety days (90) days in a form satisfactory to the Authority of:

(i) Evidence of the availability of necessary equity funds; and

(ii) Evidence of firm financial commitments from banks or other lending institutions; and

(iii) Final Working Drawings and Specifications; and

(iv) Proposed construction and rental schedules.

2. That disposal of Parcel X-39A by negotiation is the appropriate method of making the land available for development.

3. That it is hereby found and determined that the proposed development will not result in significant damage to or impairment of the environment and further, that all practicable and feasible means and measures have been taken and are being utilized to avoid or minimize damage to the environment.

4. That the Secretary is hereby authorized and directed to publish notice of the proposed transaction in accordance with Section 105 (E) of the Housing Act of 1949, as amended, including information with respect to the Redeveloper's Statement for Public Disclosure (Federal Form H-6004).

WOODBURY
STREET
DERBY PL.
DERBY PLACE
CLIFTON PLACE
WORCESTER PLACE
NEW HOPE BAPTIST CHURCH
PB-9
STREET
CHURCH OF ST AUGUSTINE AND ST MARTIN
WILLARD PLACE
29
STREET
29a
WENTWORTH PL
COMET
P-14
METROPOLITAN
WASHINGTON
THORNDIKE
36a
GRANT A.M.E. CHURCH
(METH)
NEWCOMB
SE-13
35
RR-32
EMMANUEL MEMORIAL HOUSE KINDERGARTEN
35a
EAST LENOX STREET
SANFORD PL.
FLAGG STREET
NEVILLE PLACE
R-12a
PARMELEE
ANIMAL CLINIC
TRACK
SHERWIN ST
36b
MILLBURN PLACE
34
BOSTON MED CLINIC
R-12b
ST. PATRICK'S (OLD) R.C. CHURCH
REED
STREET
35b
34a
34b
STREET
33b
GAGE ST
X-39
FAIRWEATHER ST
STREET
ST PHILIP CHURCH (R.C.)
34c
STREET
PARCEL X-39A
PARKING
FELLOWS PL.
RANDALL
CONNOLLY ST
STREET
LENOX COURT
TILTON STREET
FELLOWS COURT
PB-15
BOSTON CITY HOSPITAL (SOUTH DEPT.)
45
STREET
41a

REDEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE[1]

A. REDEVELOPER AND LAND

1. a. Name of Redeveloper: Stride Rite Corporation

   b. Address of Redeveloper: 960 Harrison Ave.

2. The land on which the Redeveloper proposes to enter into a contract for, or understanding with respect to, the purchase or lease of land from

   Boston Redevelopment Authority
   (Name of Local Public Agency)

   in South End Urban Renewal Area
   (Name of Urban Renewal or Redevelopment Project Area)

   in the City of Boston, State of Mass., is described as follows[2]

   Parcel X-39A
   Newcomb St., Reed St., Thorndike St., Harrison Ave.

3. If the Redeveloper is not an individual doing business under his own name, the Redeveloper has the status indicated below and is organized or operating under the laws of ______________________:

   ☒ A corporation.

   ☐ A nonprofit or charitable institution or corporation.

   ☐ A partnership known as

   ☐ A business association or a joint venture known as

   ☐ A Federal, State, or local government or instrumentality thereof.

   ☐ Other *(explain)*

4. If the Redeveloper is not an individual or a government agency or instrumentality, give date of organization:

5. Names, addresses, title of position (if any), and nature and extent of the interest of the officers and principal members, shareholders, and investors of the Redeveloper, other than a government agency or instrumentality, are set forth as follows:

---

[1] If space on this form is inadequate for any requested information, it should be furnished on an attached page which is referred to under the appropriate numbered item on the form.

[2] Any convenient means of identifying the land (such as block and lot numbers or street boundaries) is sufficient. A description by metes and bounds or other technical description is acceptable, but not required.

a. If the Redeveloper is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock[1].

b. If the Redeveloper is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.

c. If the Redeveloper is a partnership, each partner, whether a general or limited partner, and either the percent of interest or a description of the character and extent of interest.

d. If the Redeveloper is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.

e. If the Redeveloper is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.

NAME, ADDRESS, AND ZIP CODE	POSITION TITLE *(if any)* AND PERCENT OF INTEREST OR DESCRIPTION OF CHARACTER AND EXTENT OF INTEREST

6. Name, address, and nature and extent of interest of each person or entity *(not named in response to Item 5)* who has a beneficial interest in any of the shareholders or investors named in response to Item 5 which gives such person or entity more than a computed 10% interest in the Redeveloper *(for example, more than 20% of the stock in a corporation which holds 50% of the stock of the Redeveloper; or more than 50% of the stock in a corporation which holds 20% of the stock of the Redeveloper)*:

NAME, ADDRESS, AND ZIP CODE	DESCRIPTION OF CHARACTER AND EXTENT OF INTEREST

7. Names *(if not given above)* of officers and directors or trustees of any corporation or firm listed under Item 5 or Item 6 above:

B. RESIDENTIAL REDEVELOPMENT OR REHABILITATION

(The Redeveloper is to furnish the following information, but *only* if land is to be redeveloped or rehabilitated in whole or in part for *residential* purposes.)

[1] If a corporation is required to file periodic reports with the Federal Securities and Exchange Commission under Section 13 of the Securities Exchange Act of 1934, so state under this Item 5. In such case, the information referred to in this Item 5 and in Items 6 and 7 is not required to be furnished.

HUD-6004
(4-68)

1. State the Redeveloper's estimates, exclusive of payment for the land, for:

a. Total cost of any residential redevelopment. . . . . $
b. Cost per dwelling unit of any residential redevelopment. . . . . $
c. Total cost of any residential rehabilitation . . . . $
d. Cost per dwelling unit of any residential rehabilitation . . . . $

2. a. State the Redeveloper's estimate of the average monthly rental *(if to be rented)* or average sale price *(if to be sold)* for each type and size of dwelling unit involved in such redevelopment or rehabilitation:

TYPE AND SIZE OF DWELLING UNIT	ESTIMATED AVERAGE MONTHLY RENTAL	ESTIMATED AVERAGE SALE PRICE
	$	$

b. State the utilities and parking facilities, if any, included in the foregoing estimates of rentals;

c. State equipment, such as refrigerators, washing machines, air conditioners, if any, included in the foregoing estimates of sales prices:

CERTIFICATION

I (We)[1] ______________________________

certify that this Redeveloper's Statement for Public Disclosure is true and correct to the best of my (our) knowledge and belief.[2]

Dated: May 4, 1976 | Dated: ______________

Myle J Slosberg Exec V-P

Signature | *Signature*

Title | *Title*

Address and ZIP Code | *Address and ZIP Code*

[1] If the Redeveloper is an individual, this statement should be signed by such individual; if a partnership, by one of the partners; if a corporation or other entity, by one of its chief officers having knowledge of the facts required by this statement.

[2] Penalty for False Certification: Section 1001, Title 18, of the U.S. Code, provides a fine of not more than $10,000 or imprisonment of not more than five years, or both, for knowingly and willfully making or using any false writing or document, knowing the same to contain any false, fictitious or fraudulent statement or entry in a matter within the jurisdiction of any Department of the United States.

REDEVELOPER'S STATEMENT OF QUALIFICATIONS AND FINANCIAL RESPONSIBILITY

(For Confidential Official Use of the Local Public Agency and the Department of Housing and Urban Development. Do Not Transmit to HUD Unless Requested or Item 8b is Answered "Yes.")

1. a. Name of Redeveloper: Stride Rite Corporation

   b. Address and ZIP Code of Redeveloper: 960 Harrison Ave.

2. The land on which the Redeveloper proposes to enter into a contract for, or understanding with respect to, the purchase or lease of land from

   Boston Redevelopment Authority
   (Name of Local Public Agency)

   in South End Urban Renewal Area
   (Name of Urban Renewal or Redevelopment Project Area)

   in the City of Boston, State of Mass., is described as follows:

   Parcel X-39A
   Newcomb St., Reed St., Thorndike St., Harrison Ave.

3. Is the Redeveloper a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? ☐ YES ☐ NO
   If Yes, list each such corporation or firm by name and address, specify its relationship to the Redeveloper, and identify the officers and directors or trustees common to the Redeveloper and such other corporation or firm.

4. a. The financial condition of the Redeveloper, as of see attached, 19___, is as reflected in the attached financial statement.
   (NOTE: Attach to this statement a certified financial statement showing the assets and the liabilities, *including contingent liabilities*, fully itemized in accordance with accepted accounting standards and based on a proper audit. If the date of the certified financial statement precedes the date of this submission by more than six months, also attach an interim balance sheet not more than 60 days old.)

   b. Name and address of auditor or public accountant who performed the audit on which said financial statement is based:

5. If funds for the development of the land are to be obtained from sources other than the Redeveloper's own funds, a statement of the Redeveloper's plan for financing the acquisition and development of the land:

6. Sources and amount of cash available to Redeveloper to meet equity requirements of the proposed undertaking:

a. In banks:

NAME, ADDRESS, AND ZIP CODE OF BANK	AMOUNT
	$

b. By loans from affiliated or associated corporations or firms:

NAME, ADDRESS, AND ZIP CODE OF SOURCE	AMOUNT
	$

c. By sale of readily salable assets:

DESCRIPTION	MARKET VALUE	MORTGAGES OR LIENS
	$	$

7. Names and addresses of bank references:

see attached

8. a. Has the Redeveloper or *(if any)* the parent corporation, or any subsidiary or affiliated corporation of the Redeveloper or said parent corporation, or any of the Redeveloper's officers or principal members, shareholders or investors, or other interested parties (as listed in the responses to Items 5,6, and 7 of the *Redeveloper's Statement for Public Disclosure* and referred to herein as "principals of the Redeveloper") been adjudged bankrupt, either voluntary or involuntary, within the past 10 years? ☐ YES ☐ NO

If Yes, give date, place, and under what name.

b. Has the Redeveloper or anyone referred to above as "principals of the Redeveloper" been indicted for or convicted of any felony within the past 10 years? ☐ YES ☐ NO

If Yes, give for each case (1) date, (2) charge, (3) place, (4) Court, and (5) action taken. Attach any explanation deemed necessary.

9. a. Undertakings, comparable to the proposed redevelopment work, which have been completed by the Redeveloper or any of the principals of the Redeveloper, including identification and brief description of each project and date of completion:

b. If the Redeveloper or any of the principals of the Redeveloper has ever been an employee, in a supervisory capacity, for construction contractor or builder on undertakings comparable to the proposed redevelopment work, name of such employee, name and address of employer, title of position, and brief description of work:

10. Other federally aided urban renewal projects under Title I of the Housing Act of 1949, as amended, in which the Redeveloper or any of the principals of the Redeveloper is or has been the redeveloper, or a stockholder, officer, director or trustee, or partner of such a redeveloper:

11. If the Redeveloper or a parent corporation, a subsidiary, an affiliate, or a principal of the Redeveloper is to participate in the development of the land as a construction contractor or builder:

a. Name and address of such contractor or builder:

b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract? ☐ YES ☐ NO
If Yes, explain:

c. Total amount of construction or development work performed by such contractor or builder during the last three years: $ ________________ .

General description of such work:

d. Construction contracts or developments now being performed by such contractor or builder:

IDENTIFICATION OF CONTRACT OR DEVELOPMENT	LOCATION	AMOUNT	DATE TO BE COMPLETED
		$	

e. Outstanding construction-contract bids of such contractor or builder:

AWARDING AGENCY	AMOUNT	DATE OPENED
	$	

12. Brief statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the redevelopment of the land, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

13. a. Does any member of the governing body of the Local Public Agency to which the accompanying bid or proposal is being made or any officer or employee of the Local Public Agency who exercises any functions or responsibilities in connection with the carrying out of the project under which the land covered by the Redeveloper's proposal is being made available, have any direct or indirect personal interest in the Redeveloper or in the redevelopment or rehabilitation of the property upon the basis of such proposal? ☐ YES ☒ NO

If Yes, explain.

b. Does any member of the governing body of the locality in which the Urban Renewal Area is situated or any other public official of the locality, who exercises any functions or responsibilities in the review or approval of the carrying out of the project under which the land covered by the Redeveloper's proposal is being made available, have any direct or indirect personal interest in the Redeveloper or in the redevelopment or rehabilitation of the property upon the basis of such proposal? ☐ YES ☒ NO

If Yes, explain.

14. Statements and other evidence of the Redeveloper's qualifications and financial responsibility *(other than the financial statement referred to in Item 4a)* are attached hereto and hereby made a part hereof as follows:

CERTIFICATION

I (We)[1] ______________________________

certify that this Redeveloper's Statement of Qualifications and Financial Responsibility and the attached evidence of the Redeveloper's qualifications and financial responsibility, including financial statements, are true and correct to the best of my (our) knowledge and belief.[2]

Dated: May 4, 1976	Dated:
Myle Slorbery *Signature*	*Signature*
Exec V-P *Title*	*Title*
Address and ZIP Code	*Address and ZIP Code*

[1] If the Redeveloper is a corporation, this statement should be signed by the President and Secretary of the corporation; if an individual, by such individual; if a partnership, by one of the partners; if an entity not having a president and secretary, by one of its chief officers having knowledge of the financial status and qualifications of the Redeveloper..

[2] Penalty for False Certification: Section 1001, Title 18, of the U.S. Code, provides a fine of not more than $10,000 or imprisonment of not more than five years, or both, for knowingly and willfully making or using any false writing or document, knowing the same to contain any false, fictitious or fraudulent statement or entry in a matter within the jurisdiction of any Department of the United States.

★ U.S. GOVERNMENT PRINTING OFFICE : 1969 O—330-420

STRIDE RITE 75

The Stride Rite Corporation

About Stride Rite

The Stride Rite Corporation is the nation's largest manufacturer of quality footwear for children 6 months to 1[illegible] years of age. Early in 1974, the company broadened its market in the footwear industry with the acquisition of Joseph M. Herman Shoe Company, which is the largest supplier of adult work and recreational outdoor shoes in the Eastern United States. Stride Rite products are sold through a network of approximately 5,000 independent dealers and 106 company-owned Stride Rite Booteries which have been established to improve market coverage in selective areas.

Financial Highlights

	1975	1974	Percent Increase
Net Sales	**$83,947,000**	$75,999,000	10.5%
Income Before Federal Taxes	**9,767,000**	7,974,000	22.5%
Net Income	**5,116,000**	4,168,000	22.7%
Net Income Per Common Share	**1.70**	1.39	22.3%
Dividends Per Common Share	**.70**	.65	7.7%
Current Assets	**35,644,000**	32,741,000	8.9%
Total Assets	**48,913,000**	45,810,000	6.8%
Working Capital	**24,846,000**	22,175,000	12.0%
Stockholders' Equity	**32,933,000**	30,130,000	9.3%
Net Income as a Percent of Average Stockholders' Equity	**16.2%**	14.4%	—
Book Value Per Common Share Outstanding	**11.07**	10.08	9.8%
Common Shares Outstanding at End of Year	**2,974,254**	2,988,312	—

To Our Shareholders

The Stride Rite Corporation concluded fiscal 1975 with the highest sales and earnings in its history. Sales rose 10.5% to $83,947,351, while net income increased 22.7% to $5,115,734. Earnings per share rose to $1.70 from $1.39 last year. These financial results continue a trend of solid growth for Stride Rite. The Company's performance during this period of recession has been encouraging and we believe that this growth will continue.

During the first quarter of 1976, the Company raised its quarterly dividend to $.20 per share, a 14.3% increase from the 1975 rate.

Several highlights from last year should be noted.

Our new Auburn, Maine manufacturing facility became fully operational. This plant, which is producing children's footwear, promises to be one of our most efficient production sites.

During 1975 the Blue Star brand of medium-priced footwear and the Weber brand of high fashion girls' shoes were merged into one marketing entity. This consolidation eliminated the duplication which had developed within these lines in recent years while retaining the strong features of each line. As a result, our Tipton, Missouri plant has been converted from an operation specializing in short production runs to a high production run facility, leading to significantly lower manufacturing costs.

On January 6, 1976, a new 2-year labor contract covering workers at our Boston plant and warehouse was signed.

The Stride Rite Retail Division has matured organizationally and is now functioning with better planning and control systems.

Our Retail Division, whose growth the Company has financed with internally-generated funds, has become a profitable operation in recent months while absorbing all start-up costs. During the past year, 10 new Stride Rite Booteries were opened and 12 existing stores which were not meeting operating goals were closed. We ended 1975 with 106 Stride Rite Booteries. Retail Division sales increased 27.5% in 1975, reflecting higher volume per store. In August of last year a new channel of distribution was opened when we agreed to operate 15 children's shoe departments in Macy's Department Stores, New York.

Herman Shoe continues its good performance. Earnings in 1975 for this Division rose more than 30%. Herman's results not only exceeded 1974's impressive beginning as a part of Stride Rite but also surpassed its 1975 budget goals. Two pilot stores, Herman Survivor Shops, were opened in mid-1975. Based on evaluation of these first prototype units, Herman may embark upon a franchise program for Survivor Shops in 1976.

Stride Rite's primary assets – a strong management team, a strong product line and a strong financial condition – have provided a basis for consistently good performance in a time of difficulty for both the industry and the economy. There are indications of an improvement in the economy as well as an increase in the number of births. We are confident that Stride Rite's future within this better environment will be consistent with its past accomplishments.

To the many people who have contributed so much to the growth of The Stride Rite Corporation described in this annual report, we extend our deep appreciation.

Arnold Hiatt
President

February 4, 1976

JUVENILE FOOTWEAR MARKET

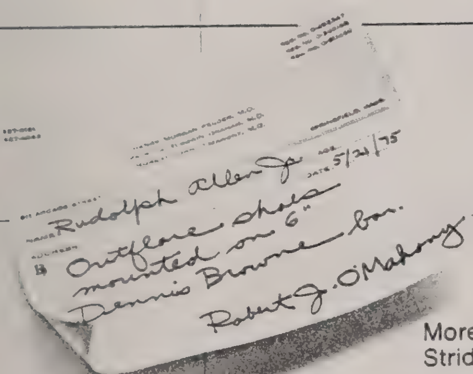
Total dollar sales of domestically produced juvenile footwear — Stride Rite's traditional market — have been declining over the past five years. Despite this trend, Stride Rite has sustained consistent growth through these years by increasing its share of the market.

Over this period, the juvenile market has been affected by a decline in the number of children under ten years of age, and, in the past two years, by an economic recession which has influenced consumer purchases.

In addition, imports became a more significant factor in the marketplace. However, imports have tended to penetrate the lower price range of children's footwear, resulting in a minimum impact on Stride Rite.

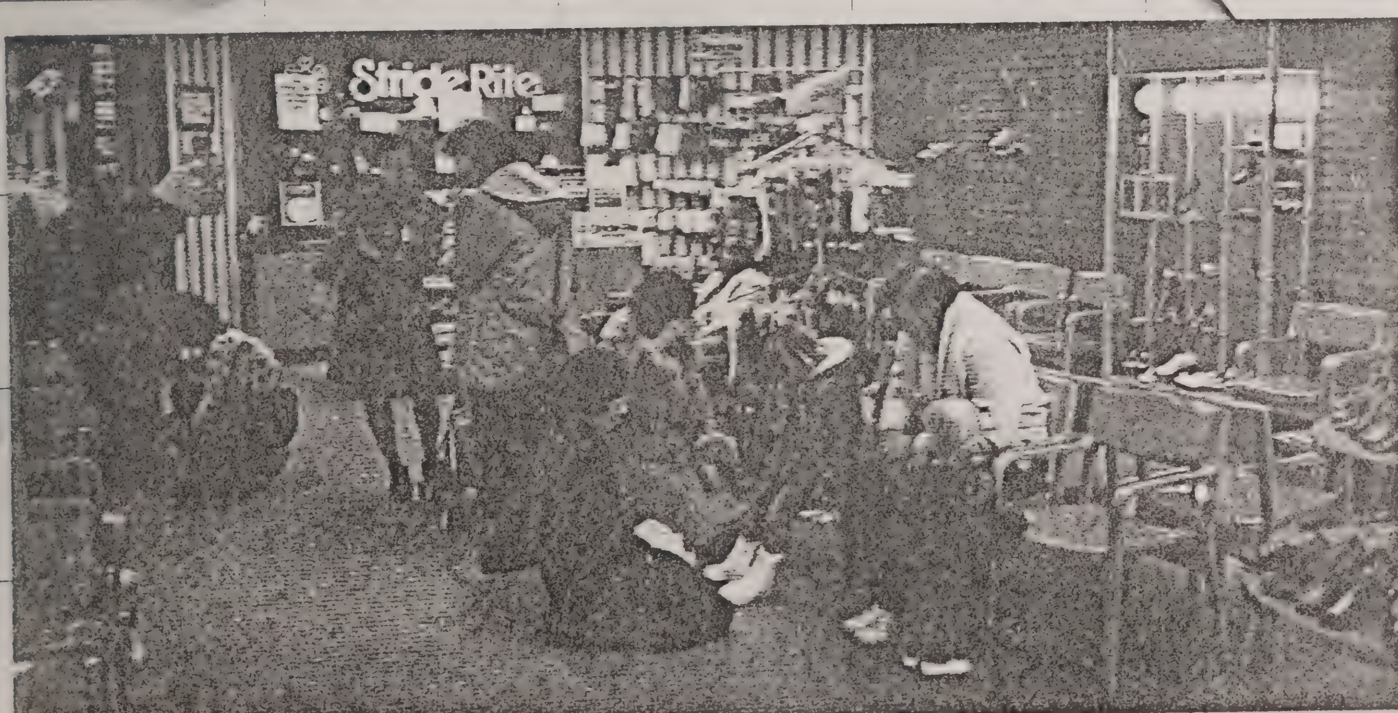
During this same period, however, a shift in consumer attitudes has occurred. As inflation pushed prices higher and a recession developed, quality and value appeared to become priority considerations in parental purchases of children's footwear.

These factors have kept the market for quality juvenile footwear strong and have enabled Stride Rite, which has a long-standing reputation for high quality, durable shoes, to maintain consistent growth.



More pediatricians recommend Stride Rite than any other brand.

Stride Rite Booteries have been established in suburban shopping malls and other selective areas to augment market coverage by our independent dealers.



THE COMPANY'S GROWTH

The Company's sales have grown steadily in recent years, reaching a record high in 1975. This growth reflects increased dollar volume within Stride Rite's traditional juvenile footwear market as well as contributions in recent years from Herman Shoe, which was acquired in the beginning of 1974.

Stride Rite's dedication to production of quality footwear and emphasis on service to the customer as a means of enlarging its share of the juvenile footwear market have been important factors in the Company's growth. This strategy became even more important during the recent period of high inflation and recession as consumers sought real value in the form of high quality, long wearing footwear.

Stride Rite's stress on service is based on close involvement with its independent dealers. Dealers are assisted in marketing, budgeting and sales promotion, and also are provided with education in proper fitting, orthopedics and customer relations.

Stride Rite's concern for children extends beyond the manufacture of footwear. The Company has operated a full service child care center at its Boston manufacturing facility for the past five years. The center is available to children from the local community and those of employees.

On-going education and training of independent dealers across the country is designed to assure every Stride Rite customer a perfect fit.

Net Sales (In Millions of Dollars)

85 80 75 70 60 55 50 45

1970 1971 1972 1973 1974 1975

BUILDING FOR THE FUTURE

Stride Rite's future is brightened by several developments, including a gradual economic recovery, continued customer preference for quality footwear and a turnaround, which began in mid-1974, in the total number of births.

The number of first births (i.e., a family's first child), which is up dramatically, is even more significant than total births for Stride Rite because studies clearly indicate that parents normally spend more money on their first child than on any subsequent children. The number of first births is expected to grow at an even faster rate than total births in coming years.

The acquisition of Herman Shoe represents an expansion out of the juvenile shoe market and demonstrates the Company's ability to diversify into other areas of the footwear industry. Since joining Stride Rite, Herman has had two successive years of record sales and earnings. Herman is expanding outside its traditional East Coast market area and is placing more marketing and product development emphasis on footwear such as hiking boots designed for the recreational market.

Stride Rite's strong management team, prominent market position and financial strength enable the Company to look to the future with both confidence and optimism.

Joseph M. Herman Shoe Company, acquired in 1974, is the largest factor in workboots and recreational outdoor footwear in the Eastern United States.

Durability, proper fit and good service have made Stride Rite the leading manufacturer of children's quality footwear.

Total Number of Births (In Millions)

U.S. Government Projections

Financial Review

Sales at Record Level

Net sales in fiscal 1975 rose 10.5% from the previous year to a record $83,947,351, marking the twelfth consecutive year of higher sales for the Company. Contributions to 1975 sales growth came from each of the Company's three operating divisions, as detailed in the following table:

	Net Sales 1975	Net Sales 1974	Percent Increase
Children's Footwear Division			
Wholesale	$52,265,401	$49,576,204	5.4%
Retail	15,058,762	11,814,680	27.5%
Total	67,324,163	61,390,884	9.7%
Herman Shoe (1974—11 Months [illegible]y)	16,623,188	14,607,725	13.8%
Total	$83,947,351	$75,998,609	10.5%

Net Income Up 22.7%

Net income in 1975 increased substantially for the second year in a row, rising 22.7% from 1974 to $5,115,734, an all-time high level of earnings for the Company. Net income in 1974 was $4,167,861, an increase of 27.9% over 1973 net income.

Quarterly Breakdown of Sales and Earnings

The following tables indicate the Company's sales and earnings on a quarterly basis for the past two years:

Net Sales by Quarters	1975	1974
First	$19,680,980	$16,102,274
Second	16,927,972	18,301,488
Third	25,247,591	23,113,602
Fourth	22,090,808	18,481,245

Net Income by Quarters	1975	1974
First	$ 1,015,500	$ 829,427
Second	987,133	928,557
Third	1,742,424	1,489,067
Fourth	1,370,677	920,810

Quarterly results are affected by the date on which Easter falls. An early Easter, as occurred in 1975, tends to boost first quarter sales, while a later Easter, as occurred in 1974, tends to boost second quarter sales. Historically, seasonal demand for the Company's products has produced the year's highest sales and earnings during the third fiscal quarter, when the Company's back-to-school business normally occurs. This traditional pattern is beginning to be affected by the growth of the Stride Rite Retail Division and by the acquisition of Herman Shoe. Neither of these two operations experience a decline similar to the Wholesale Division in fourth quarter sales.

Return on Stockholder Equity Increased

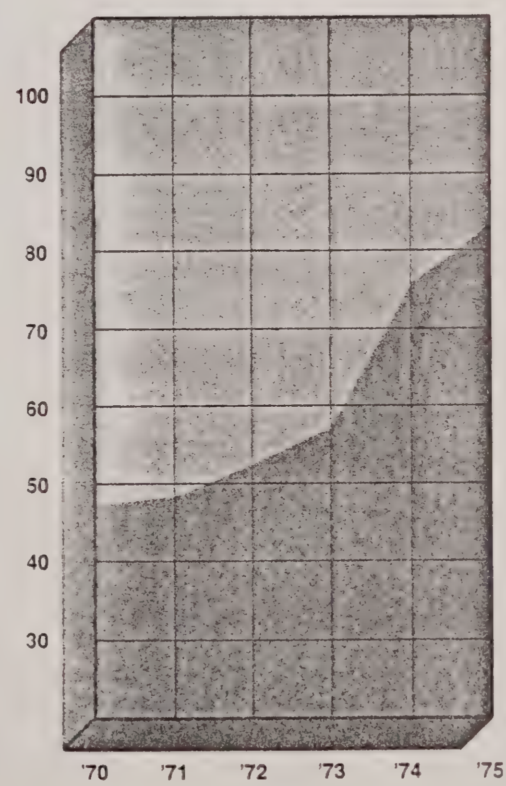
The Company's return on average stockholder equity (i.e., net income as a percent of stockholder equity) again increased in 1975 to 16.2%, up from 14.4% in 1974 and 12.0% in 1973. This rate of return for the past two years for Stride Rite has been better than that posted by companies in many other industries and has been substantially higher than that of most shoe manufacturers.

Cash Dividend Raised

Stride Rite has paid a cash dividend every quarter since becoming a publicly-owned corporation in 1960. The quarterly dividend rate was increased in the first quarter of fiscal 1975 to $.175 per share, up from the previous rate of $.162 per share. Stride Rite paid $.70 per share in dividends to its shareholders in 1975. In 1974, the Company paid $.65 per share. As a percentage of net income, cash dividends represented 41.1% in 1975, compared to 46.5% in 1974. Remaining funds have been reinvested by the Company to finance its growth. In the first quarter of fiscal 1976 the Company raised its quarterly dividend to $.20 per share.

Capital Expenditures

Capital expenditures totaled $1,702,212 in 1975, compared to $2,502,603 in 1974. The majority of these funds were generated internally during the past year. A $650,000 industrial revenue bond issue, at a very favorable interest rate, was issued in connection with the establishment of a new manufacturing plant in Auburn, Maine, in 1975. This new facility and the continuing development of the Stride Rite Retail Division accounted for a significant portion of the capital expenditures. Over the past five years the Stride Rite Retail Division has been developed into a network of 106 Company-owned Stride Rite Booteries and 19 other outlets. Total expenditures for fixtures and improvements for the Retail Division amounted to approximately $5,100,000, which represents 45% of all capital expenditures during this period. Capital expenditures in 1976 are expected to be similar to the 1975 level.

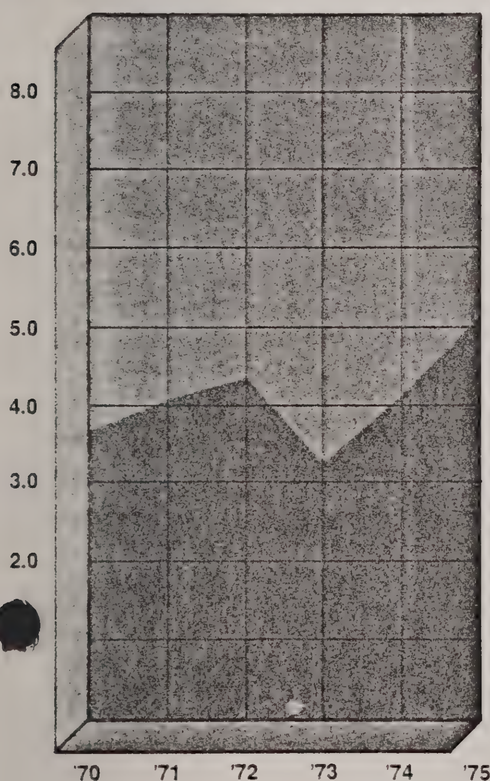


Net Sales
(In Millions of Dollars)

Financial Review (Continued)

Long-Term Debt

The Company's long-term debt was $4,591,012 at the end of 1975, compared to $4,627,894 a year earlier. This debt primarily represents the remaining balance on a promissory note issued by Stride Rite in connection with the acquisition of Herman Shoe in 1974 and the present value of two capitalized leases for manufacturing facilities. The interest rate on the promissory note is based on the prevailing prime rate and averaged 8.8% in 1975, compared to 11.8% in 1974. Actual interest cost of that note declined to $392,300 in 1975 from $528,000 in 1974. The two leases, which have been capitalized, expire in 1980 and 1990 and interest is calculated at the rate of 7% and 5¾%.



Net Income
(In Millions of Dollars)

Inventories Rise as Business Expands

The Company's inventory levels have increased significantly in recent years as Stride Rite has grown. Primary ingredients in the rising inventory levels are (1) expansion of the Stride Rite Retail Division and the accompanying need to stock retail stores with products: and (2) the acquisition of Herman Shoe. At the end of 1975, inventories were $22,155,972, up from $20,925,817 at the end of 1974 and $15,740,445 at the end of 1973.

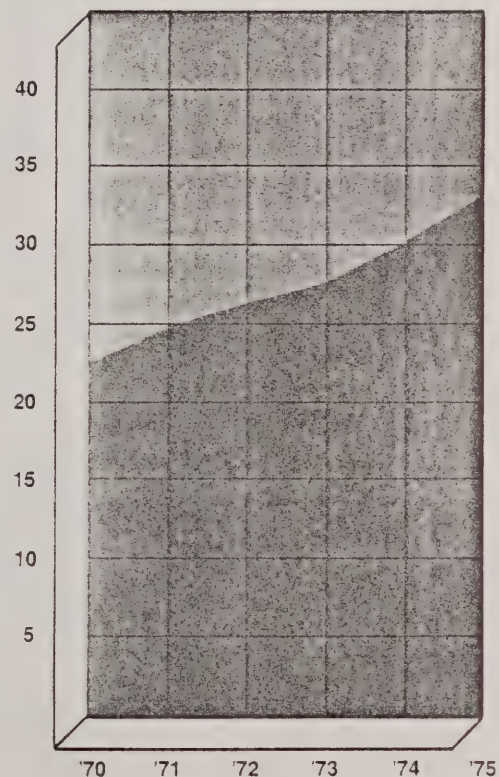
Financial Condition Remains Strong

The Company's strong financial condition is of prime importance in planning for future growth. Total assets were $48,912,989 at the end of 1975, up from $45,809,841 a year ago. Current ratio stood at a healthy 3.3 at year-end, compared to 3.1 at the end of 1974. Working capital increased during 1975 by $2,671,372 to $24,846,466. A positive cash flow enabled the Company to reduce its seasonal borrowing during 1975. Accounts and notes receivable increased to $10,526,986 and amounted to 12.5% of net sales. This compared with a receivable balance of $9,366,263 at November 29, 1974, which was 12.3% of net sales. Stockholders' equity increased to $32,933,219 in 1975 from $30,130,078 a year earlier. During the year, the Company purchased 65,000 shares of its common stock at a total cost of $649,551 to be used in connection with its Employee Stock Purchase Programs. The Company issued 50,942 shares under two Stock Purchase Plans. Book value per common share rose to $11.07 from $10.08 at the end of 1974.

Price Range of Common Stock and Quarterly Dividend Data

The following table indicates the closing high and low prices of Stride Rite Common Stock on the New York Stock Exchange and the per share cash dividend payments made to shareholders for each of the past eight fiscal quarters:

	Common Stock Price Range		Dividends Paid
1974	High	Low	Per Share
First Quarter	8⅜	6½	$.162
Second Quarter	10	7⅝	$.162
Third Quarter	8	6½	$.162
Fourth Quarter	7⅜	6⅛	$.162
1975			
First Quarter	9⅝	6⅛	$.175
Second Quarter	10¾	8⅝	$.175
Third Quarter	11	9	$.175
Fourth Quarter	11⅝	8⅝	$.175



Stockholders' Equity
(In Millions of Dollars)

Five Year Summary of Financial Information

	1971	1972	1973	1974	1975
Net Sales	$48,417,000	$52,766,000	$57,239,000	$75,999,000	**$83,947,000**
Income before Federal Income Taxes	7,716,000	8,213,000	6,209,000	7,974,000	**9,767,000**
Provision for Federal Income Taxes	3,668,000	3,865,000	2,950,000	3,806,000	**4,651,000**
Net Income	4,048,000	4,348,000	3,259,000	4,168,000	**5,116,000**
Common Stock Dividends	1,688,000	1,855,000	1,936,000	1,936,000	**2,103,000**
Current Assets	22,543,000	25,229,000	23,770,000	32,741,000	**35,644,000**
Working Capital	17,097,000	17,168,000	17,123,000	22,175,000	**24,846,000**
Property and Equipment—Net	7,224,000	8,922,000	10,389,000	12,468,000	**12,486,000**
Total Assets	30,601,000	34,976,000	34,901,000	45,810,000	**48,913,000**
Stockholders' Equity	24,954,000	26,577,000	27,899,000	30,130,000	**32,933,000**
Net Income Per Common Share	1.41	1.47	1.09	1.39	**1.70**
Net Income Per Common Share—Assuming Full Dilution	1.34	1.43	1.09	1.39	**1.70**
Dividends Per Common Share	.60	.62	.65	.65	**.70**
Book Value Per Common Share Outstanding	8.83	8.89	9.34	10.08	**11.07**
Current Ratio	4.1	3.1	3.6	3.1	**3.3**
Number of Stride Rite Booteries	12	54	84	108	**106**
Number of Employees	2,500	2,700	2,700	3,500	**3,600**
Number of Shareholders	2,400	2,300	3,400	3,800	**3,900**
Common Shares Outstanding at End of Year	2,827,000	2,988,000	2,988,000	2,988,000	**2,974,000**

Consolidated Balance Sheets

November 28, 1975 and November 29, 1974

Assets	1975	1974
Current Assets:		
Cash	$ 2,150,177	$ 1,664,778
Accounts and notes receivable, less allowance for sales discounts and doubtful accounts of $524,000 ($493,000 in 1974)	10,526,986	9,366,263
Inventories:		
Finished goods	16,282,488	15,773,749
Work in process	2,011,865	1,684,237
Raw materials and supplies	3,861,619	3,467,831
	22,155,972	20,925,817
Prepaid federal income taxes	551,700	508,600
Prepaid expenses	258,639	275,805
Total current assets	35,643,524	32,741,263
Property and Equipment:		
Land	823,501	796,131
Buildings and improvements	8,956,582	8,405,112
Machinery, equipment and fixtures	5,662,093	5,319,236
Leaseholds and leasehold improvements	3,292,804	3,271,579
	18,734,980	17,792,058
Less accumulated depreciation and amortization	6,248,897	5,324,341
	12,486,083	12,467,717
Other Assets:		
Notes receivable	339,751	266,002
Other	443,631	334,859
	783,382	600,861
	$48,912,989	$45,809,841

The accompanying notes are an i

Liabilities

	1975	1974
Current Liabilities:		
Notes payable—bank	$ 1,000,000	$ 1,800,000
Accounts payable	4,302,727	3,308,057
Federal income taxes	1,576,217	1,490,426
Accrued expenses	2,827,395	2,890,172
Dividends payable	520,494	484,107
Other liabilities	570,225	593,407
Total current liabilities	10,797,058	10,566,169
Deferred Federal Income Taxes	591,700	485,700
Long-Term Debt	4,591,012	4,627,894
Stockholders' Equity		
Preferred stock $1 par value—1,000,000 shares authorized Issued—none	—	—
Common stock $1 par value—4,000,000 shares authorized Issued—3,256,544 shares	3,256,544	3,256,544
Capital in excess of par value	1,708,885	1,918,917
Retained earnings	31,396,345	28,383,430
	36,361,774	33,558,891
Less cost of 282,290 shares of common stock held in treasury (268,232 in 1974)	3,428,555	3,428,813
Total stockholders' equity	32,933,219	30,130,078
	$48,912,989	$45,809,841

al part of the financial statements.

Consolidated Statements of Income

Years Ended November 28, 1975 and November 29, 1974

	1975	1974
Net Sales	$83,947,351	$75,998,609
Operating Costs and Expenses:		
Cost of Sales	53,986,729	49,537,401
Selling and Administrative	19,541,217	17,465,402
	73,527,946	67,002,803
Income from Operations	10,419,405	8,995,806
Interest Expense	(647,192)	(1,028,856)
Other (Charges) Income—Net	(5,679)	6,711
Income before Federal Income Taxes	9,766,534	7,973,661
Provision for Federal Income Taxes	4,650,800	3,805,800
Net Income	$ 5,115,734	$ 4,167,861
Net Income Per Share of Common Stock	$1.70	$1.39

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in Financial Position

Years Ended November 28, 1975 and November 29, 1974

Source of Funds	1975	1974
Operations:		
Net income	$ 5,115,734	$ 4,167,861
Items not requiring working capital:		
Depreciation and amortization	1,508,663	1,294,998
Loss (gain) on disposal of property and equipment	(22,316)	316,381
Deferred federal income taxes	106,000	130,600
Total from operations	6,708,081	5,909,840
Long-term debt	650,000	5,129,584
Long-term debt acquired from purchased company	—	328,622
Decrease in cash surrender value of life insurance—net	14,252	270,141
Sale of common stock under stock purchase plans	439,777	—
Disposal of property and equipment	253,325	77,493
	8,065,435	11,715,680
Use of Funds		
Dividends	2,102,819	1,936,427
Additions to property and equipment	1,702,212	2,502,603
Acquisition of company:		
Purchase price ($2,070,000) plus long-term debt assumed less working capital acquired ($863,373)	—	1,535,249
Increase (decrease) in long-term notes receivable	73,749	(169,820)
Payments and transfers to current maturities of long-term debt	686,881	830,312
Purchase of common stock for treasury	649,551	—
Increase in deferred compensation	189,950	—
Other—net	(11,099)	29,313
	5,394,063	6,664,084
Increase In Working Capital	$ 2,671,372	$ 5,051,596
Change In Working Capital		
Increase (decrease) in current assets		
Cash	485,399	195,281
Accounts and notes receivable	1,160,723	3,414,237
Inventories	1,230,155	5,185,372
Prepaid federal income taxes	43,100	208,700
Prepaid expenses	(17,116)	(32,728)
	2,902,261	8,970,862
Increase (decrease) in current liabilities		
Notes payable—bank	(800,000)	300,000
Accounts payable	994,670	593,909
Federal income taxes	85,791	1,443,027
Accrued expenses	(62,777)	1,186,886
Dividends payable	36,387	—
Other liabilities	(23,182)	395,444
	230,889	3,919,266
Increase In Working Capital	$ 2,671,372	$ 5,051,596

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Retained Earnings

Years Ended November 28, 1975 and November 29, 1974

	1975	1974
Balance at Beginning of Year	$28,383,430	$26,151,996
Add:		
Net income	5,115,734	4,167,861
	33,499,164	30,319,857
Deduct:		
Cash dividends on common stock $.70 per share ($.648 in 1974)	2,102,819	1,936,427
Balance at End of Year	$31,396,345	$28,383,430

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of The Stride Rite Corporation include the accounts of the Company and its subsidiaries. Intercompany transactions have been eliminated.

Inventory Valuation

Inventories are stated at the lower of cost or market. The cost of inventories is determined on the first-in, first-out basis except that the cost of finished goods inventories purchased for retail sales is determined by the retail method.

Property and Equipment and Related Depreciation and Amortization

Property and equipment is stated at cost. Depreciation is provided by periodic charges to expense over the estimated useful lives of the assets. Depreciation of most machinery and equipment is calculated on the sum-of-the-years-digits method whereas depreciation of buildings, improvements, lasts and fixtures is calculated on the straight-line method. Amortization of leaseholds and improvements to leased property is calculated on the straight-line method and is charged to expense over the terms of the related leases or a shorter period where useful lives are determined to be less than the lease term.

Net Income Per Common Share

Net income per common share is computed by dividing net income by the average number of common shares and common equivalents outstanding during the year.

2. Notes Payable—Bank

The Company utilizes short-term bank loans to finance seasonal working capital requirements. During 1975 the weighted average amount of such borrowings was $2,500,000 ($4,200,000 in 1974). The maximum short-term borrowing in 1975 was $6,000,000 ($7,000,000 in 1974). Interest charges are at the bank's prime lending rate. The average interest rate paid on these bank loans was 7.5% during 1975 (10.6% in 1974). The interest rate on this short-term loan was 7.5% at November 28, 1975.

The November 28, 1975 notes payable balance includes $500,000 which is the current portion of the long-term loan described in Note 3.

3. Long-Term Debt

The Company issued a promissory note in the amount of $5,000,000 to a banking institution during 1974. The principal of the note is payable in quarterly installments of $125,000 with a final installment of $3,500,000 due on July 1, 1977. Interest is payable quarterly at the rate of one-half percent above the bank's prime lending rate. The average interest rate during 1975 was 8.8% (11.8% in 1974). The interest rate on this loan at November 28, 1975 was 8.0%.

An agreement in connection with the loan requires that the Company maintain certain levels of working capital and net worth, limit other loans and limit minimum rental obligations assumed under leases for real and personal property. This loan may be repaid in whole or in part at any time.

Included with the long-term debt is the present value ($841,012) of capitalized lease obligations. These leases are for manufacturing facilities and expire in 1980 and 1990. The lease expiring in 1980 ($234,312) was capitalized at 7% and the lease expiring in 1990 ($606,700) was capitalized at 5¾%. The current portion of these lease payments ($94,822) is included in other liabilities.

4. Stockholders' Equity

Changes in stockholders' equity, exclusive of retained earnings, for the two years ended November 28, 1975 are as follows:

	Capital in Excess of Par Value	Treasury Stock at Cost
Balance, November 30, 1973	$1,918,917	$3,428,813
Balance, November 29, 1974	1,918,917	3,428,813
Purchase of 65,000 shares of Common Stock	–	649,551
Issue of 28,992 shares of Common Stock under the Employee Stock Purchase Plan	(142,641)	(370,518)
Issue of 21,950 shares of Common Stock under 1975 Executive Incentive Stock Purchase Plan	(67,391)	(279,291)
Balance, November 28, 1975	$1,708,885	$3,428,555

5. Leases

The Company leases certain factory, office and retail store space, of which some of the latter is sublet. Most leases contain provisions for additional rentals based on increased property taxes and the leases for retail store space generally require additional rentals based on sales volume in excess of certain levels. Some factory, office and retail store leases have renewal options. Certain retail store leases have been classified as financing leases as defined by the Securities and Exchange Commission.

Rental expense for the years ended November 28, 1975 and November 29, 1974 was as follows:

	1975	1974
Financing leases		
Base rental	**$ 971,000**	$ 720,000
Additional rentals based on retail sales volume	**38,000**	44,000
Less rental income from subleases	**(166,000)**	(66,000)
	843,000	698,000
Nonfinancing leases		
Base rental	**1,063,000**	933,000
Additional rentals based on retail sales volume and equipment usage	**236,000**	172,000
Less rental income from subleases	**(132,000)**	(33,000)
	1,167,000	1,072,000
Total rental expense	**$2,010,000**	$1,770,000

The future minimum rental commitments as of November 28, 1975 for all noncancelable leases and the amount due from tenants on related subleases are as follows:

	Financing Leases		**Nonfinancing Leases**	
Period	Minimum Rental Commitment	Rental Due From Subleases	Minimum Rental Commitment	Rental Due From Subleases
1976	$1,061,000	$175,000	$632,000	$150,000
1977	1,076,000	187,000	576,000	128,000
1978	1,056,000	193,000	464,000	118,000
1979	1,029,000	177,000	375,000	84,000
1980	985,000	161,000	319,000	71,000
1981 to 1985	4,524,000	685,000	670,000	197,000
1986 to 1990	2,407,000	261,000	197,000	56,000
1991 to 1995	341,000	6,000	19,000	–
Thereafter to 1999	42,000	–	–	–

Notes to Consolidated Financial Statements (Continued)

The present value of minimum rental commitments for all financing leases was $6,440,000 at November 28, 1975 and $5,850,000 at November 29, 1974 based on interest rates ranging from 7.5% to 10.25%. Of these amounts, the present value of minimum rental commitments by tenants for sublet stores was $1,015,000 in 1975 and $857,000 in 1974. If all financing leases had been capitalized and the depreciation and interest charged to operations, the impact on net income would have been less than 3% of the average net income for the past three years.

The Company is contingently liable as guarantor of certain of its customers' store leases which expire at various dates from 1976 to 1998. The average annual rentals under these leases approximate $175,000 through 1980 and decrease thereafter to 1998.

6. Pension Plans

The Company has several pension plans covering eligible full-time employees. The Company's policy is to fund pension costs accrued. Pension expense, which includes amortization of prior service costs over a thirty-year period, amounted to $495,000 in 1975 and $356,000 in 1974. Contributing to this increased expense were the addition of a new pension plan covering approximately 275 hourly workers and amendments improving two other plans.

The actuarially computed value of vested benefits as of November 28, 1975 on two of the plans exceeds the total of the pension funds' assets of those plans by approximately $1,320,000. Unfunded prior service costs for all plans amounted to approximately $2,309,000 on November 28, 1975.

Plan changes required by the Employee Retirement Income Security Act of 1974 and the addition and changes mentioned above will result in further increases in pension expense during 1976.

7. Stock Purchase Plans and Stock Options

An Employee Stock Purchase Plan permits eligible employees to elect to subscribe for an aggregate of 90,000 shares (to be adjusted to 190,000 shares pending stockholder approval) of common stock of the Company. Under the Plan, participating employees may authorize the Company to withhold either 2½% or 5% of their earnings for a one or two-year payment period for the purchase of shares. At the conclusion of the period, the employee may purchase shares at the lesser of 85% of the market value of the Company's common stock on his entry date into the Plan or ten days prior to the end of the payment period. The Board of Directors may set a minimum price for the stock. An employee may discontinue participation at any time and may elect to have his withholdings returned with interest at the end of either the first year or second year of the Plan. For federal income tax purposes, no income to the employee and no deduction to the Company results from the issuance of shares under this Plan.

During 1975, 28,992 shares were issued to 184 employees participating in the Plan at the conclusion of the first two-year payment period. Employees paid $7.86 per share or an aggregate of $227,877 for these shares. Funds are being withheld from participating employees during a new two-year payment period ending May 31, 1977. As of November 28, 1975, $117,488 had been withheld from employees' earnings; and if all participating employees had been allowed to exercise their stock purchase rights, 13,320 shares could have been purchased at $8.82 per share (85% of the closing price on The New York Stock Exchange on November 28, 1975). The Board of Directors of the Company set a minimum price of $8.50 per share at which shares could be purchased at the end of the current payment period.

During 1975, the stockholders approved the 1975 Executive Incentive Stock Purchase Plan. Under this Plan, rights to purchase up to an aggregate of 150,000 shares of the Company's common stock may be granted from time to time to officers and other key employees of the Company at a price determined by the Board of Directors. This price may not be less than the current par value of the Company's common stock which is $1 per share.

Rights to purchase shares must be exercised within sixty days of the grant date, cannot be transferred and must be paid for in full at the time of exercise. Shares purchased under the Plan are subject to restrictions. They may not be sold, pledged or otherwise transferred and generally must be resold to the Company upon termination of employment. Restrictions on transfer of shares or obligation to resell shares to the Company will lapse as to 33⅓% of the shares purchased at the end of the third year, the fourth year and the fifth year following purchase.

During 1975, rights to purchase 21,950 shares of common stock at a price of $1 per share were granted under the Plan and all such rights were exercised.

The Company records as deferred compensation the difference between the fair market value at date of grant and purchase price of shares issued under the Plan. Deferred compensation is being amortized during a five-year period.

An Executive Incentive Stock Purchase Plan in effect at November 29, 1974 was terminated by the Board of Directors during 1975.

Under its Qualified Stock Option Plan, the Company may grant the right to purchase shares of common stock to key employees. Options can be granted at an exercise price not less than fair market value of the common stock at the grant date and must be exercised within five years from the date of grant. The Plan provides that the Board of Directors may determine the dates at which options granted become exercisable.

Transactions under the Plan for the two years ended November 28, 1975 are summarized as follows:

	Number of Shares	Price Range
Outstanding, November 30, 1973	27,900	$9.00-16.75
Canceled	7,500	11.75
Outstanding, November 29, 1974	20,400	9.00-16.75
Canceled and expired	2,300	9.75-16.75
Outstanding, November 28, 1975	18,100	9.00-16.75

Of the 18,100 shares subject to options outstanding at November 28, 1975, options to purchase 9,050 shares were exercisable at that date and options to purchase 9,050 shares become exercisable between December 1, 1975 and November 30, 1977 at the rate of 4,525 shares each year. At November 28, 1975 options to purchase an additional 89,300 shares were available to be granted under the Plan.

In addition, a nonqualified option to purchase 6,000 shares granted in 1971 was outstanding and exercisable at a price of $13.91 on November 28, 1975. A nonqualified option to purchase 7,500 shares granted in 1973 was canceled during the year ended November 29, 1974.

At November 28, 1975, 302,458 common shares, authorized but not outstanding, are reserved for issuance under the Company's Stock Purchase Plans, Qualified Stock Option Plan and for the nonqualified stock option granted.

8. Federal Income Taxes

Noncurrent deferred income taxes and prepaid income taxes are provided when there are timing differences between financial and income tax reporting. Investment tax credit resulting from capital additions is applied as a direct reduction of income tax expense at the time of acquisition of the asset.

The provisions for federal income taxes consist of the following:

	1975	1974
Current	$4,587,900	$3,883,900
Noncurrent	62,900	(78,100)
	$4,650,800	$3,805,800

Deferred federal income taxes result from the use of accelerated depreciation methods for certain buildings and equipment for federal income tax purposes, whereas the straight-line method is used for financial reporting purposes, and also from expensing, for federal income tax purposes, purchases of lasts, the costs of which are depreciated over two years for financial reporting purposes.

Prepaid federal income taxes result from certain charges to expense for financial reporting purposes (provisions for doubtful accounts, sales discounts, vacation pay, deferred compensation and royalty payments) which are not currently deductible for federal income tax purposes.

9. Acquisition

On December 31, 1973 the Company acquired the business of the Joseph M. Herman Shoe Co., a manufacturer of men's work shoes and outdoor footwear. The purchase price ($2,070,000) plus liabilities assumed (approximately $4,900,000) was allocated to the fair value of assets acquired. This transaction was accounted for as a purchase. Results of operations from the date of acquisition have been included in the consolidated financial statements.

Auditors' Report

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Directors
The Stride Rite Corporation:

We have examined the consolidated balance sheet of The Stride Rite Corporation as of November 28, 1975, and the related consolidated statements of income, changes in financial position and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements for the year ended November 29, 1974.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of The Stride Rite Corporation at November 28, 1975 and November 29, 1974, and the consolidated results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Boston, Massachusetts
January 28, 1976

Coopers & Lybrand

Summary of Operations

	Fiscal Years				
	1971	1972	1973	1974	1975
	Amounts in Thousands except Per Share Data				
Net Sales	$48,417	$52,766	$57,239	$75,999	$83,947
Cost of Sales	32,698	34,837	38,384	49,537	53,987
Selling and Administrative Expenses	8,106	9,761	12,338	17,465	19,541
Interest Expense	36	65	342	1,029	647
Other Income (Charges) — Net	139	110	35	6	(5)
Provision for Federal Income Taxes	3,668	3,865	2,950	3,806	4,651
Net Income	4,048	4,348	3,259	4,168	5,116
Preferred Stock Dividend Requirement	127	31	—	—	—
Net Income Available for Common Stock	$ 3,921	$ 4,317	$ 3,259	$ 4,168	$ 5,116
Shares Used for Computing Net Income Per Share	2,772	2,941	2,988	2,988	3,009
Net Income Per Share of Common Stock	$1.41	$1.47	$1.09	$1.39	$1.70

Management's Discussion and Analysis of the Summary of Operations

1975 Compared to 1974

Net sales increased by $7,948,000 in 1975 over 1974 or 10.5%. This increase resulted from a 4.9% increase in unit sales and a 5.3% increase in prices charged for Company products. Increased volume was recorded in each division of the Company and amounted to 5.4% in the Children's Wholesale Division, 27.5% in the Children's Retail Division and 13.8% in the Herman Division. Herman volume is for twelve months in 1975 compared to eleven months in 1974.

Cost of Sales increased by 9% in 1975 compared to 1974. This increase is attributed primarily to the cost of additional units sold and a 3.4% increase in the cost of goods manufactured during the year. Gross margins improved by approximately 1%. Contributing to this improvement was an increase in the percentage of merchandise sold by the retail division where gross margins are higher than margins in the wholesale division.

Certain administrative and selling expenses increased as a result of expanded business activities. The principal increases were as follows:

	1975	1974	Percent Increase
Rent	$2,010,000	$1,770,000	13.6%
Depreciation & Amortization	1,509,000	1,295,000	16.5%
Advertising	1,585,000	1,324,000	19.7%
Tax Expenses	3,359,000	3,075,000	9.2%

Interest costs were lower in 1975 by $382,000 or 37.1% due to lower average loan balances during the year—$7,600,000 in 1975 compared to $9,170,000 in 1974— and a lower average interest rate—8.5% in 1975 vs. 11.2% in 1974 — on total borrowing.

Provision for federal income tax in 1975 increased by $845,000 as a result of higher pretax income earned during the year.

Net income in 1975 was 22.7% higher for the reasons outlined above which were primarily the increased sales volume, the better margins recorded on those sales and lower interest costs.

1974 Compared to 1973

Sales volume increased by $18,760,000 in 1974 as a result of higher per unit selling prices for Company products (up approximately 5.4%), the inclusion of sales of $14,608,000 of Joseph M. Herman Shoe Company, Inc. in 1974, and continued expansion of the Company's Retail Division (1974 sales $11,815,000 compared to $8,457,000 in 1973).

Cost of Sales was higher in 1974 than in 1973 primarily as a result of additional retail sales and sales of the Joseph M. Herman Shoe Company, Inc. Increases in unit sales prices in December 1973 and March 1974 restored more normal margins on sale of the Manufacturing Division products even though there were continued increases in raw material costs during the early part of 1974.

The addition of the Joseph M. Herman Shoe Company, Inc., as well as the addition of 32 retail units in 1974, was the principal reason for higher administrative and selling expenses. Principal increases were as follows:

	1974	1973	Percent Increase
Rent	1,770,000	1,284,000	37.9%
Depreciation and Amortization	1,295,000	1,147,000	12.9%
Advertising	1,324,000	1,181,000	12.1%
Tax Expenses	3,075,000	2,434,000	26.3%

Interest costs were substantially higher in 1974 as a result of the use of borrowed funds ($5,000,000) to purchase the business of Joseph M. Herman Shoe Company, Inc. and pay off a working capital loan of that Company. In addition, average interest rates in effect on short-term borrowing during 1974 were considerably higher than rates in 1973—10.6% compared to 6.9%.

Provision for federal income tax in 1974 increased by $856,000 as a result of the higher income level in that year compared to 1973.

Net income in 1974 was 27.8% higher than 1973 as a result of the better margins on the sale of manufactured products as mentioned above and the inclusion of operating results of Joseph M. Herman Shoe Company, Inc. Start-up costs incurred in the opening of 32 additional retail outlets during the fiscal year and operating costs at stores opened during the past two years where sales volume had not reached levels sufficient to cover these costs resulted in a net loss for the Company's Retail Division.

Directors

Arnold Hiatt
President

Martin M. Landay
Retired

Walter J. Salmon
Associate Dean for Educational Affairs, Harvard Business School

Russell G. Simpson
Partner, Goodwin, Procter & Hoar

Myles J. Slosberg
Executive Vice President

Samuel L. Slosberg
Chairman of the Board of Directors

Peter H. Solomon
Vice President

Mortimer B. Zuckerman
Chairman of the Board, Boston Urban Associates

Officers

Samuel L. Slosberg
Chairman of the Board of Directors

Arnold Hiatt
President and Chief Executive Officer

Myles J. Slosberg
Executive Vice President

John J. Phelan
Vice President and Treasurer

Peter H. Solomon
Vice President

William E. Dawson
Assistant Treasurer

Russell G. Simpson
Clerk

Roger Landay
Assistant Clerk and Secretary

Operating Divisions

Joseph M. Herman Shoe Company, Inc.
Richard H. Rubin, President

Stride Rite Manufacturing Corp.
Myles J. Slosberg, President

Stride Rite Retail Corp.
J. Richard Klein, President

General Counsel
Goodwin, Procter & Hoar,
Boston, Massachusetts

Auditors
Coopers & Lybrand,
Boston, Massachusetts

Transfer Agent
The First National Bank of Boston,
Boston, Massachusetts

Registrar
The National Shawmut Bank,
Boston, Massachusetts

Annual Meeting

The Annual Meeting of Stockholders of The Stride Rite Corporation will be held on Wednesday, April 7, 1976 at 10:00 A.M. in the auditorium of the First National Bank of Boston, 100 Federal St., Boston, Massachusetts.

SEC Form 10-K

The Stride Rite Corporation's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available upon request and may be obtained by writing to the Company at 960 Harrison Ave., Boston, Massachusetts 02118.

20 May 1976

3316

MEMORANDUM

TO: BOSTON REDEVELOPMENT AUTHORITY

FROM: ROBERT T. KENNEY, DIRECTOR

SUBJECT: SOUTH END URBAN RENEWAL AREA, PROJECT NO. MASS. R-56
TENTATIVE DESIGNATION OF REDEVELOPER
PARCEL X-39A

SUMMARY: This memorandum requests that the Authority tentatively designate the Stride Rite Corporation as Redeveloper of Parcel X-39A in the South End Urban Renewal Area.

Parcel X-39A is bounded by Newcomb Street, Reed Street, Thorndike Street and Harrison Avenue in the South End Urban Renewal Area.

The Stride Rite Corporation, 960 Harrison Avenue, Roxbury, has submitted a proposal for the development of Parcel X-39A as a parking lot for their employees. This is a permitted land use for Parcel X-39A under the Urban Renewal Plan.

Stride Rite Corporation is a major South End company with approximately 1,100 employees and owns the majority of the land in Parcel X-39A. The Stride Rite Corporation presents expends around $100,000.00 per year on security and hopes that this new parking lot, adjacent to their main building, will help to minimize incidents of vandalism. In addition, the new lot would ease congestion and improve traffic flow in the area around the plant by removing cars parked on the street.

I, therefore, recommend that the Stride Rite Corporation be tentatively designated as Redeveloper of Parcel X-39A in the South End Urban Renewal Area.

An appropriate Resolution is attached.